
Memorandum

DATE: June 17, 2011

TO: Shelly Edgerton
Kit Murphy

FROM: Julie Wendt

SUBJECT: History of 1.85% specific tax on spirits for off premises retail licensees

PA 213 of 1972 was effective on January 27, 1973 and provided that a 1% specific tax be imposed on spirits for consumption off the premises and that the tax be collected by the Liquor Control Commission at the time of the sale by the Commission. The disposition of the proceeds was to be deposited in the state treasury to the credit of the public health alcoholism fund.

House Bill 4456 was introduced by Representatives Kok, DeStigter, Ford, Sietsenna, and O'Brien and referred to the House Committee on Public Health. This Committee reported the bill out with recommendation and it was assigned to the House Committee on Taxation. This Committee reported it out with recommendation and amendment. The House adopted the amendments and transmitted it to the Senate where it was assigned to the Committee on Taxation and Veterans' Affairs. It was returned to the House from the Senate with amendments. The House concurred with the amendments and it was ordered enrolled and presented to the Governor. It was approved on July 7, 1972 with an effective date of January 27, 1973.

A review of the bill analysis for House Bill No. 4456 reflects that the bill was discussed with Department of Public Health representatives prior to the introduction of the bill but was not introduced at the department's request.

At the time of the introduction of this bill it was determined that the new tax would provide an estimated \$3,000,000 in revenue for alcoholism programs which would allow for the considerable expansion of those programs. The Michigan Department of Public Health supported the bill and made arguments for the bill that the new and continuing revenue would enable the department to plan ahead more effectively and the amount of revenue is more realistic in relationship to the magnitude of the problem. Additionally, it was indicated that the inadequacy of appropriations to local alcohol programs resulted in a resolution generated and adopted by Kent County Board of Health and numerous other boards of health.

Interestingly some of the arguments for this bill made by the Office of Alcoholism and Drug Abuse is that the 1% additional tax would be paid totally by the consumer; that since the consumption of alcoholic beverages is not a necessity, no hardship to individuals paying this tax would be incurred; and that retail liquor store owners and establishments serving liquor by the glass would not incur a reduction of profit margin. Therefore, it appears that initially this new tax was to be imposed on both off premises and on premises retailers. I could not find any information on when or why it was changed to only off premises retailers.

Public Act 396 of 1978 raised the tax from 1.0% to 1.85% and changed the disposition of the funds from the credit of the public health alcoholism fund to the credit of the liquor purchase revolving fund.